

EXPLANATION OF SECTION 8 BY SUBSECTIONS

Subsection (a) provides that increases shall be based upon determinations made by the Director pertaining to percentum changes in the price index.

Subsection (a)(1) authorizes effective 1 January 1967 percentage increases of annuities under the CIA retirement system equal to those in force and effect under the Civil Service retirement system as of 1 January 1967.

Subsection (a)(2) provides for subsequent cost-of-living adjustments effective the first day of the third month beginning after the price index shows a rise of at lease 3 percent for 3 consecutive months over the base month. All annuities which commence on or before such effective date will be increased by the percentage rise in the price index. An increase will be computed on the highest percent of the 3 consecutive months, adjusted to the nearest one-tenth of 1 percent. The month forming the basis for the increase will become the new base month for determining the next cost-of-living adjustment.

Subsection (a)(2) will produce a 3.9 percent cost-of-living adjustment as of 1 May 1968.

Subsection (a)(2) preserves the cost-of-living adjustment principle for future retirees and survivors of deceased employees but restricts the amount of increase to only that percentage rise occurring on or after the commencing dates of their annuities.

Subsection (b)(1) guarantees that survivor annuitants shall receive the increases granted the annuitant up to the time of his death.

Subsection (b)(2) preserves for surviving children whose annuity commences after 1 January 1967 the 2 percent and 1 percent percentage increase reflected in the catch-up increase granted their parents under Subsection (a)(1).

Subsection (b)(3) provides that the fixed dollar amounts for children survivors shall be increased along with the cost-of-living adjustments granted under Section 291.

Subsection (c) offsets any cost-of-living adjustment granted prior to this amendment. This involves the 4.6 percent increase granted on 1 April 1967 to 1965 retirees and their survivors. The rise in the Consumer Price Index on which the 4.6 percent increase was based is covered by the catch-up increase provided under subsection (a)(1).

Subsection (d) changes the definition of the term "price index" from the annual average of the Consumer Price Index over a calendar

year to that published monthly by the Bureau of Labor Statistics. It further defines the month used in determining that the price index warrants a cost-of-living adjustment as the "base month." The base month for the next increase, if any, is February 1968 which is established as a result of the operation of subsection (a)(2).

Subsection (e) retains the usual language precluding an increase on any additional portion of annuity that was purchased by a retiree by voluntary contributions.

Subsection (f) retains the customary requirement that the monthly annuity, as increased, be adjusted to the nearest dollar. It provides, however, for reflecting an increase of at least \$1 per month wherever an increase would not otherwise cause a small annuity to be adjusted to the next higher dollar.